

1 Ramsey M. Al-Salam, Bar No. 109506  
RAlsalam@perkinscoie.com  
2 Carmen G. Wong, (*Admitted Pro Hac Vice*)  
CWong@perkinscoie.com  
3 PERKINS COIE LLP  
1201 Third Avenue, Suite 4900  
4 Seattle, Washington 98101  
Telephone: 206.359.8000  
5 Facsimile: 206.359.9000

6 Victoria Q. Smith, Bar No. 236045  
VSmith@perkinscoie.com  
7 PERKINS COIE LLP  
3150 Porter Drive  
8 Palo Alto, CA 94304-1212  
Telephone: 650.838.4300  
9 Facsimile: 650.838.4350

10 *Attorneys for Defendants*  
*Fremont Bancorporation and Fremont Bank*  
11

12 IN THE UNITED STATES DISTRICT COURT  
13 FOR THE NORTHERN DISTRICT OF CALIFORNIA  
14  
15

16 DR. LAKSHMI ARUNACHALAM,

Case No. 3:15-cv-00023-EDL

17 Plaintiff,

18 v.

19 FREMONT BANCORPORATION and  
FREMONT BANK,

**DEFENDANTS' REPLY IN SUPPORT OF  
MOTION TO DISMISS UNDER FED. R.  
CIV. P. 12(b)(6) FOR FAILURE TO STATE  
A CLAIM**

20 Defendants.

Date: April 28, 2015

21 Time: 2:00 pm

Dept.: Courtroom E - 15th Floor

22 Judge: Hon. Elizabeth D. Laporte

23

24

25

26

27

28

## I. INTRODUCTION

2 Defendants (“Fremont Bank”) have moved to dismiss the Complaint because Plaintiff’s  
3 claims are barred by collateral estoppel. In her Opposition, Plaintiff does not dispute that the  
4 ’339 patent “would be governed by the prior *JPMorgan* adjudication if the prior rulings are  
5 affirmed on appeal.” Ex. J to Wong Decl. (*Fulton* Motion to Dismiss Response at 3) [D.I. 25-  
6 11].<sup>1</sup> Plaintiff also does not dispute that she is the chairman and sole owner of the Pi-Net  
7 International, Inc., the plaintiff in the *JPMorgan* litigation. Finally, Plaintiff does not dispute that  
8 the orders in *JPMorgan* and *Fulton* are final judgments on the merits. Nevertheless, Plaintiff  
9 argues that collateral estoppel does not apply based on the standards for claim preclusion and  
10 motions for summary judgment, neither of which is applicable here. Fremont Bank’s motion is  
11 based on collateral estoppel or issue preclusion. She also argues that the claims at issue here are  
12 different than those in *JPMorgan*. She ignores, however, that the Federal Circuit has held that  
13 collateral estoppel still applies where the claims are based on the same specification and have  
14 common terms. For these reasons, Plaintiff’s Complaint should be dismissed, and Plaintiff  
15 should not be permitted to re-file absent the Federal Circuit’s reversal of the judgment in the  
16 *JPMorgan* litigation.

## II. PLAINTIFF APPLIES THE WRONG STANDARDS

18 Plaintiff's response incorrectly assumes that Fremont Bank is filing a motion for summary  
19 judgment and improperly applies the standard for claim preclusion. First, Plaintiff opposes the  
20 Motion as if it were a motion for summary judgment, relying extensively on the presumption of  
21 validity under 35 U.S.C. § 282 and insisting that there are disputed material facts. *See Opp'n to*  
22 *Mot. to Dismiss ("Opp'n") at 4-5, 7, 12-15.* But Fremont Bank has filed a motion to dismiss for  
23 failure to state a claim under Fed. R. Civ. P. 12(b)(6), not a motion for summary judgment.  
24 Fremont Bank is not requesting the Court to make any findings of fact as to whether the '339  
25 patent is invalid. Instead, the Motion seeks a legal determination as to whether the order in the

<sup>1</sup> All exhibits cited herein refer to the exhibits attached to the declaration of Carmen G. Wong in support of Fremont Bank's Motion to Dismiss [D.I. 25].

1 *JPMorgan* litigation resolved the issues to be litigated in this case, and whether Plaintiff is bound  
 2 by that result.

3 Second, Plaintiff appears to rely on the standard for res judicata, or claim preclusion, in  
 4 arguing that the same parties must have been involved in the previous litigation. *See, e.g., Opp'n*  
 5 at 5 (“*Res judicata* and the language of the patent statute failed to impose the outcome of previous  
 6 decisions among parties under a different name. The judgments in the suits between Pi-Net and J.P.  
 7 Morgan Chase & Co. and their respective assignees are not conclusive upon Defendants—strangers to  
 8 the record.”). Again, Plaintiff relies on the wrong standard because Fremont Bank is seeking to  
 9 dismiss this case under the doctrine of collateral estoppel or *issue preclusion*, which does not require  
 10 the same parties to be involved in the previous litigation. *Blonder-Tongue Labs., Inc. v. Univ. of Ill.*  
 11 *Found.*, 402 U.S. 313, 349–50 (1971) (overruling precedent precluding an accused infringer of a  
 12 patent already found invalid from asserting estoppel where the accused infringer is not a party to  
 13 the previous litigation).

### 14           **III. COLLATERAL ESTOPPEL BARS PLAINTIFF'S CLAIMS**

15 Collateral estoppel precludes relitigation of an issue decided in an earlier proceeding if:  
 16 “(1) the issue was necessarily decided at the previous proceeding and is identical to the one which  
 17 is sought to be relitigated; (2) the first proceeding ended with a final judgment on the merits; and  
 18 (3) the party against whom collateral estoppel is asserted was a party or in privity with a party at  
 19 the first proceeding.” *Reyn's Pasta Bella, LLC v. Visa USA, Inc.*, 442 F.3d 741, 746 (9th Cir.  
 20 2006). Plaintiff argues that she is not estopped from litigating the ’339 patent because it was not  
 21 litigated in the *JPMorgan* litigation, because Fremont Bank was not a party to that litigation, and  
 22 because she was not given the fair and full opportunity to be heard. As discussed below,  
 23 Plaintiff’s arguments either apply the wrong standards or are without merit.

#### 24           **A. Collateral Estoppel Applies When there is Identity of Issues, Even if the Patents are 25 Not Asserted in the Previous Case**

26 First, Plaintiff argues that the validity of the ’339 patent has not been litigated because the  
 27 *JPMorgan* litigation involved U.S. Patent Nos. 5,987,500, 8,037,158, and 8,108,492 (collectively,  
 28 “Related Patents”), and because the claims in the ’339 patent are different from the claims in

1 these patents. Opp'n at 6-7, 14. For example, Plaintiff spends over five pages reciting the claim  
 2 limitations of the '339 patent and the Related Patents. *Id.* at 7-12. Plaintiff's arguments miss the  
 3 point, however, because the standard for collateral estoppel is not whether there is an identity of  
 4 claims or identity of patents, but whether there is an identity of *issues* litigated in a previous  
 5 litigation. Indeed, in examining this doctrine, the Supreme Court in *Blonder-Tongue* examined  
 6 the unnecessary costs to litigants and the burden imposed on courts when the patentee attempts to  
 7 relitigate *issues* that were already decided in previous litigations. “[A]ssuming that a perfectly  
 8 sound judgment of invalidity has been rendered in an earlier suit involving the patentee, a second  
 9 infringement action raising the same *issue* and involving much of the same proof has a high cost  
 10 to the individual parties.” 402 U.S. at 338 (emphasis added).

11 Additionally, Plaintiff's arguments are contrary to Federal Circuit precedent established in  
 12 *Ohio Willow Wood Co. v. Alps South, LLC*, 735 F.3d 1333 (Fed. Cir. 2013). There, the Federal  
 13 Circuit squarely addressed the issue of whether a prior litigation can have collateral estoppel  
 14 effect even if it involved a *different* claim, a *different* patent, and *different* accused infringers.  
 15 More specifically, in *Ohio Willow Wood*, the Federal Circuit affirmed the district court's holding  
 16 that a patent was invalid based on collateral estoppel arising from a judgment of invalidity of a  
 17 related patent.

18 In so holding, the Federal Circuit rejected the same arguments Plaintiff make here. “We  
 19 disagree” that “the mere existence of different language in the adjudicated claims of the '182  
 20 patent and unadjudicated claims of the '237 patent is sufficient to overcome collateral estoppel.”  
 21 *Id.* at 1342. As shown below, the claim language between the '182 and '237 patents in *Ohio*  
 22 *Willow Wood* was different:

23  
 24  
 25  
 26  
 27  
 28

	Claim 1 of '237 Patent	Claim 1 of '182 Patent
1	2	3
4	5	6
7	8	9
10		

11       *Id.* Nonetheless, the Federal Court found that collateral estoppel applied, concluding that “[o]ur  
 12 precedent does not limit collateral estoppel to patent claims that are identical. Rather, it is the  
 13 identity of the *issues* that were litigated that determines whether collateral estoppel should apply.”

14       *Id.* The court found that the patent-in-suit was also invalid as obvious. *Id.*

15       Identity of issues exists between the *JPMorgan* litigation and this case. After reviewing  
 16 the specifications of the Related Patents, Judge Robinson had found that the terms “switching,”  
 17 “service network,” and “point-of-service application”<sup>2</sup> were indefinite, were not enabled, and/or  
 18 lacked written description. Ex. D (*JPMorgan* Summary Judgment Order at 11-21) [D.I. 25-5];  
 19 Ex. E (*JPMorgan* Claim Construction Order at 6-8) [D.I. 25-6]. The same claim terms together  
 20 are present in each and every claim of the ’339 patent, which shares a common parent with the  
 21 Related Patents and identical specifications. In fact, the issue here presents an even more  
 22 compelling collateral estoppel argument than in *Ohio Willow Wood*. There, the question was  
 23 whether the claims were obvious, which is a question of law that is dependent on underlying  
 24 questions of fact. *See, e.g., Phillips v. AWH Corp.*, 415 F.3d 1303, 1333 (Fed. Cir. 2005) (“While  
 25 ultimately a question of law, obviousness depends on several underlying factual inquiries.”).

---

26       <sup>2</sup> Plaintiff appears to claim that Fremont Bank argued that “point-of-service application”  
 27 was found indefinite in Judge Robinson’s order. Opp’n at 13. This is incorrect. Fremont Bank  
 28 asserted that Judge Robinson found “point-of-service application” to lack enablement and written  
 description. Mot. at 8.

1 Here, the *JPMorgan* litigation found that the Related Patents were invalid for indefiniteness, lack  
 2 of enablement, and lack of written description, which are all pure questions of law.

3 Plaintiff insists that “claim terms are not interpreted in a vacuum,” and “[t]hat the patents  
 4 share a common specification is irrelevant to whether there is issue preclusion . . .” Opp’n at 12-  
 5 13, but Plaintiff ignores the fact that indefiniteness, enablement, and written description *are*  
 6 determined by looking at the specification. If a specification does not sufficiently disclose the  
 7 invention such that the claims are not enabled or lack written description, or does not provide  
 8 clarity to the claim terms, the same specification in another patent would still contain the same  
 9 flaws. If the claim terms that lead to a finding of indefiniteness, lack of enablement, and lack of  
 10 written description are present in claims of another patent, these claims are also invalid for the  
 11 same reason. As previously shown, the ’339 patent and the Related Patents share identical  
 12 specifications, and the claim terms are present in every claim of the ’339 patent. There is an  
 13 identity of issues.

14 Indeed, Plaintiff does not dispute that she has already admitted that the Federal Circuit’s  
 15 decision in the *JPMorgan* appeal will govern the ’339 patent. “[A]ll three patents asserted  
 16 against Fulton would be governed by the prior *JPMorgan* adjudication if the prior rulings are  
 17 affirmed on appeal.” Ex. J (*Fulton* Motion to Dismiss Response at 3) [D.I. 25-11]. Plaintiff  
 18 argues that “Judge Andrews did not rule that . . . collateral estoppel applied to the ’339 patent,”  
 19 Opp’n at 14, but Judge Andrews’ order indicates otherwise: “I will GRANT Defendant’s Motion  
 20 to Dismiss (D.I. 6), which is based on collateral estoppel.” Ex. G. (*Fulton* Motion to Dismiss  
 21 Order at 1) [D.I. 25-8].

22 **B. Collateral Estoppel Does not Require Identity of the Parties**

23 Plaintiff appears to argue that collateral estoppel does not apply because there is no  
 24 identity of the parties in the *JPMorgan* litigation. Opp’n at 5-6, 16. But collateral estoppel does  
 25 not require that *all* parties be involved in the previous litigation. Indeed, the accused infringers in  
 26 *Blonder-Tongue* and *Ohio Willow Wood* successfully applied collateral estoppel based on a  
 27 previous litigation that involved the same patentee, but different accused infringers. 402 U.S. at  
 28 315-15, 350; 735 F.3d at 1341, 1343. See also *Soverain Software LLC v. Victoria’s Secret Direct*

1     *Brand Mgmt., LLC*, 778 F.3d 1311, 1316 (Fed. Cir. 2015) (finding that issue preclusion applied  
 2 even though previous litigation involved a different accused infringer). Therefore, the fact that  
 3 Fremont Bank was not a defendant in the *JPMorgan* litigation is irrelevant to the issue of  
 4 collateral estoppel.

5                 Instead, collateral estoppel only requires that the party against whom collateral estoppel is  
 6 asserted be in privity with a party at the first proceeding. *Reyn's Pasta Bella, LLC v. Visa USA,*  
 7 *Inc.*, 442 F.3d at 746. Plaintiff does not dispute that she is the founder, chairman, and sole owner  
 8 of Pi-Net International, Inc., the plaintiff in the *JPMorgan* litigation. Compl. at ¶ 5 [D.I. 1]; Mot.  
 9 at 9-10. As a result, there is privity between Plaintiff and Pi-Net International, Inc.

10           **C. Plaintiff's Subjective Opinion of Her Attorney are Irrelevant**

11                 Finally, Plaintiff appears to argue that collateral estoppel should not apply because she did  
 12 not have the opportunity to pursue her claim in the *JPMorgan* litigation. Her only support of this  
 13 argument, however, is her subjective opinion regarding the quality of her attorney's  
 14 representation and her bare-bones conclusion that she "was deprived of crucial evidence and  
 15 witnesses in the first litigation." Opp'n at 6, 16-17. While *Blonder-Tongue* acknowledged that  
 16 the patentee must be permitted to "demonstrate . . . that he did not have 'a fair opportunity  
 17 procedurally, substantively, and evidentially to pursue his claim the first time,'" 402 U.S. at 333,  
 18 Plaintiff has failed to bring forth such evidence.<sup>3</sup> Plaintiff also does not deny that Judge  
 19 Robinson's order was final and on the merits. Collateral estoppel should apply.

20           **IV. CONCLUSION**

21                 For the foregoing reasons, Plaintiff's Complaint should be dismissed, and Plaintiff should  
 22 not be permitted to re-file absent the Federal Circuit's reversal of the judgment in the *JPMorgan*  
 23 litigation.

24  
 25  
 26

---

27                 <sup>3</sup> Exceptions to the application of collateral estoppel can include a change in the  
 28 controlling law or facts, or where there is a different burden of proof or burden of persuasion.  
 Restatement (Second) of Judgments § 28 (1982). No such circumstances apply here.

1 DATED: April 3, 2015  
2

**PERKINS COIE LLP**

3 By: /s/ Carmen G. Wong  
4 Ramsey M. Al-Salam  
5 RAlSalam@perkinscoie.com  
6 Victoria Q. Smith  
7 VSmith@perkinscoie.com  
Carmen G. Wong  
CWong@perkinscoie.com

8 Attorneys for Defendants  
9 Fremont Bancorporation and Fremont Bank  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28

**CERTIFICATE OF SERVICE**

The undersigned hereby certifies that on April 3, 2015, a true and correct copy of the foregoing was served on the parties via the CM/ECF system pursuant to Civil Local Rule 5-1(h).

/s/ Carmen G. Wong

Carmen G. Wong